

Annual Report to the National Assembly for Wales Commission for the year ended 31 March 2016

June 2016



National Assembly for Wales
Assembly Commission Audit and Risk Assurance Committee

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Introduction

1. The Assembly Commission Audit and Risk Assurance Committee (the Committee) is pleased to present this report on its work for the year ended 31 March 2016, the fifth and final year of the Fourth Assembly.
2. The report focuses on the Committee's work in relation to the Commission's governance arrangements, risk management, internal control and assurance framework. It highlights: the remit of the Committee; the work undertaken and associated findings and recommendations; the results of the Effectiveness Review of the Committee; the Committee's proposed focus for 2016-17; and our overall conclusions.

Role of the Committee

3. The Committee supports the Commission and the Accounting Officer with regard to their responsibilities for internal and external audit, corporate governance, risk, internal control, assurance, regularity and propriety.
4. The Committee acts in an advisory capacity and has no executive powers. The Committee's Terms of Reference (**appendix 1**) and **forward work programme** are produced in accordance with HM Treasury guidance.
5. The Committee's **current membership** (an Assembly Commissioner, two Independent Advisers and an Independent Committee Member) is published on the Commission's website. David Melding AM, Deputy Presiding Officer, acted as a temporary replacement for Angela Burns AM throughout the year. The following also regularly attended Committee meetings during the year:
 - Claire Clancy – Chief Executive and Clerk of the Assembly (the Commission's Accounting Officer)
 - Nicola Callow – Director of Finance
 - Dave Tosh – Director of Resources
 - Gareth Watts – Head of Internal Audit
 - Ann-Marie Harkin – Engagement Lead, Wales Audit Office
 - Matthew Coe – Audit Manager, Wales Audit Office
 - Kathryn Hughes – Risk & Governance Manager; Committee Clerk
 - Buddug Saer – Deputy Committee Clerk
6. Other Assembly Commission officials also attended meetings as required.
7. The Committee held private meetings with the external and internal auditors, the Chief Executive and Clerk of the Assembly and her senior leadership team to ensure that relationships remain effective.
8. The Committee reports to the Commission via the Accounting Officer after each meeting, and publishes its meeting minutes on the Assembly **website**. The Committee Chair also attends a meeting with Commissioners to present the Committee's Annual Report.

Activity and Considerations

9. The Committee met five times during the year, with activity guided by its forward work programme. Agenda items included:
 - the Annual Report and Accounts, including a draft of the annual Governance Statement
 - internal audit plans, reports and updates from the Head of Internal Audit
 - external audit plans and reports
 - risk management reports and the critical examination of key corporate risks
 - internal control and governance arrangements
 - change programme and project updates
 - summaries of any departures from normal procurement procedures
 - updates on key issues
 - feedback from Committee members on external matters of interest.
10. The Committee reviewed a series of Internal Audit reports (**appendix 2**), and maintained a sharp focus on management's progress in implementing the associated recommendations, together with any outstanding from earlier reports.
11. The Committee received updates on areas highlighted in the 'forward look' section of its 2014-15 Annual Report and other key items including:
 - progress on actions and recommendations from the WAO 2014-15 Management Letter; the Commission's 2014-15 Governance Statement; and Internal Audit reports
 - priority change programmes and projects, including preparations for transition to the Fifth Assembly and replacement of the finance system
 - embedding of the Commission's approach to programme and project management; and capacity and workforce planning
 - risk profile and scenario planning for potential future political, legislative and constitutional change
 - business continuity planning, including the outcomes of a business continuity exercise
 - reorganisation of the Commission's Governance and Assurance Services, and the ongoing development of the Assurance Framework
12. Committee members have welcomed the opportunity to extend their roles to help support the Commission's work, including:
 - attending a Management Board meeting to review the assurance statements provided by each Director for the Accounting Officer's Governance Statement
 - advising on the potential replacement of the Finance system
 - attending Remuneration Committee meetings
 - Business Efficiency review meeting

- arranging a visit for Commission officials to the Northern Ireland Assembly
- attendance at the All-Wales forum for Audit Committee Chairs.
- membership of the interview panel for the new National Assembly for Wales Commissioner for Standards
- scrutinising project investment cases and sharing project reviews from other organisations
- arranging networking opportunities with other public sector organisations
- mentoring.

Findings and Observations

Annual Report and Accounts

13. The Committee supported the production of the 2014/15 Annual Report and Accounts, including advising on the 'using resources wisely' section, and noted that the process was conducted in a generally efficient, effective and co-operative manner, and that the report was well presented. That said, there were time pressures principally due to points raised by the external auditors (01.14) which required some time to resolve. The Auditor General issued an unqualified auditor's report on the financial statements in July 2015.

External Audit

14. The Committee welcomed the positive messages in the external auditor's Audit of Financial Statements Report and Management Letter, which stated that, 'the Commission's significant financial systems can be relied upon to produce materially correct outputs' and that 'accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear'.
15. Matters discussed with management included dilapidation provisions for leased properties, Assembly Member Support Staff pension contributions and accrual for untaken annual leave, and IT policies and systems. The Committee provided advice on the associated accounting policies, and the external auditors are satisfied that these matters all have been satisfactorily resolved to the agreed timetable.
16. The Committee appreciated the strong working relationship between the external auditors and Internal Audit through the 'joint working protocol'. The protocol enables the external auditors to rely on Internal Audit's work, including the review of Key Financial Controls, and the Committee encouraged this to continue.
17. The Committee are pleased that the Commission and the external auditors have agreed an accelerated process for the 2015/16 Annual Report and Accounts, including the production of interim accounts, earlier audit field work, and earlier start and finish dates for the final audit. The 2015-16 Annual Report and Accounts will reflect HM Treasury's latest 'simplifying and streamlining' guidance.
18. The Committee will continue to work closely with the external auditors to ensure that the key financial systems and controls and the procedures supporting the accounts production process remain robust, and that audit recommendations are implemented to the required timetable.

Internal Audit

19. The Commission's Internal Audit service is managed by the in-house Head of Internal Audit, Gareth Watts, who is responsible for all Internal Audit outputs. We are pleased that Gareth has continued to maintain the profile of Internal Audit throughout the Commission, and are encouraged by the comprehensive work undertaken in the year.
20. We welcome the progress that has been made across all of the areas reviewed and endorse the continued sharp focus on management implementing Internal Audit's recommendations, reports on which are reviewed by the Committee at each meeting. Management have completed all significant recommendations from previous years, and are appropriately

focussed on meeting those for 2015-16. The Internal Audit Annual Opinion and Report will include details of audit ratings and the effectiveness of recommendations.

21. All 2015-16 audits were rated 'satisfactory' or 'strong' other than the Procurement Audit where concerns were identified relating to low value procurement. Management has taken action to address all the recommendations in the Procurement Audit Report which included providing additional procurement training for staff and impressing on senior staff the importance of monitoring of procurement activity. Further follow up work on procurement compliance is scheduled for 2016-17.
22. The Committee were particularly pleased to note the 'strong' ratings for 'Key Financial Controls' and 'Financial Management and Budgetary Control', and at the time of writing the Commission is well placed to meet its 2015-16 budget. The Data Analytics audit revealed no evidence of fraud.
23. In the Head of Internal Audit's June 2015 Annual Report, he confirmed compliance with Public Sector Internal Audit Standards (PSIAS). The Committee were pleased with the positive results of a self-assessment against the Internal Audit Quality Assurance and Improvement Programme, carried out in line with PSIAS requirements.
24. The Committee are also satisfied with assurances from the Head of Internal Audit that the level of resourcing committed to the Audit Programme remains sufficient.
25. We also welcome the Head of Internal Audit's commitment to his continuing professional development and membership of professional networks, and in particular his engagement with other UK legislatures.
26. Internal Audit's 2014-15 Annual Report and Opinion stated that '*...the Assembly Commission has adequate and effective risk management, control and governance processes to manage the achievement of its objectives.*' The Committee considered the report to be a good assessment of work undertaken during the year. A similar opinion is anticipated for 2015-16.

Risk Management

27. The Committee continued to monitor the effectiveness of risk management and were pleased with the quality of reports on key corporate risks. We scrutinised the identification, severity and mitigation of key risks and the effectiveness of risk management processes. The Commission undertook a thorough review and refresh of the corporate risk register during the year.
28. We undertook 'deep dive' reviews of several risks including Corporate Capacity, Constitutional Change and Fifth Assembly Transition, and encouraged the Commission to closely scrutinise risks associated with both general security arrangements and cyber-security.
29. We are satisfied with the processes in place to identify and manage key corporate risks and welcome the inclusion of the more static risks on the Commission's Corporate Risk Register and, at our suggestion, the reporting of risk severity trends over time. Currently, there are no corporate risks with a 'red' severity rating (high impact and/or likelihood).
30. We believe that one of the most significant risks for the coming year will be related to the impact of, and responses to political, legislative and constitutional change. That said, the Commission has maintained a sharp focus on mitigating this risk.

Change Portfolio Management

31. The Committee is encouraged by the Commission's increasing professionalism in managing key programmes and projects. The Investment and Resourcing Board continues to have an important oversight role, and the Committee welcomes the substantial due diligence applied to the change programme for the Fifth Assembly.
32. The capacity and workforce planning initiative has helped ensure that the Commission optimises its resources, taking due account of future demands for key initiatives and legislative and constitutional changes.

Information Governance

33. We are pleased with the efforts of the Commission on information governance, having launched a new framework covering information security, data protection and information management. The framework emphasises the responsibilities of all employees in managing and protecting information assets, and the requirement to apply policies and guidance when they create or use information.

Assurance Framework

34. The Commission has an 'exemplar' assurance framework which maps the operational, corporate and independent sources of assurance against corporate risks, governance arrangements and internal processes. The framework illustrates the overall strength of the Commission's source of assurance, and highlights potential vulnerabilities. This is routinely reviewed to validate arrangements and to bolster the few 'amber' assurance sources.

Committee Effectiveness Review

35. During the year, the Committee conducted a survey, coordinated by the Committee Clerks, to assess its effectiveness. This involved Committee members, external representatives and Assembly officials anonymously completing a detailed tailored questionnaire. The overall results were very encouraging, and we have already made good progress with the few actions which emerged which included: plans to develop our relationship with the new Commission; reviewing the new Corporate Performance Report; and closer scrutiny of the risk profile and progress of the portfolio of change projects.

Forward Look

36. Whilst we recognise that further improvements have been made during the year, there are always opportunities for greater efficiency and effectiveness in the exercise and management of governance, risk and controls. As a result, the Committee will be taking an active interest in:
 - The transition to the Fifth Assembly
 - Developing our relationship with the new Commissioners
 - Key actions, issues and recommendations emerging from the audit of the Commission's 2015-16 Annual Report and Accounts
 - Future legislative and constitutional change, and associated risk and scenario planning
 - Progress with the portfolio of change projects, including the Finance System Replacement project

- The Business Efficiency Review
 - The new Corporate Performance Report
 - Management’s actioning of Internal Audit recommendations
 - Continuing to encourage and facilitate contact with external organisations to share best practice.
37. We noted the Commission’s 2016-17 budget and will continue to take a close interest in the Commission delivering value for money within this.

Conclusion

38. The Committee is satisfied that it has sufficient evidence to provide assurance to the Accounting Officer and the Commission on the effectiveness of the overall risk, control and governance environment. Indeed, overall, assurance levels within the Commission continue to be strong. The sources of assurance are also robust and reliable, as evidenced by the assurance framework and Internal Audit reviews.
39. The Committee thanks the Chief Executive and Clerk of the Assembly, and her staff, for the constructive and cooperative approach they have taken to the Committee’s work, which has included proactively sharing key information with the Committee outside meetings. As a team, we have found them to be supportive, open and receptive to challenge.
40. The Committee is also grateful to the internal and external auditors for undertaking their work in a positive and collaborative manner, and to the Secretariat for again providing first class support.
41. Finally, we would like to thank David Melding AM, Deputy Presiding Officer, for his valued contribution to the Committee as the temporary replacement for Angela Burns AM.
- **Eric Gregory, Chair and Independent Adviser**
 - **Keith Baldwin, Independent Adviser**
 - **David Melding AM, Deputy Presiding Officer**
 - **Hugh Widdis, Independent Committee Member**

Appendix 1: Assembly Commission Audit and Risk Assurance Committee Terms of Reference

The National Assembly for Wales Commission establishes the Assembly Commission Audit and Risk Assurance Committee in support of its responsibilities for issues of risk, control and governance. Its role is to review the comprehensiveness, reliability and integrity of assurances and whether they meet the Assembly Commission and the Accounting Officer's needs.

Membership

The members of the **Assembly Commission Audit and Risk Assurance Committee** ("the Committee") are:

- **Angela Burns**, AM, Commissioner;
- Two **Independent Advisers: Eric Gregory** (Chair) and **Keith Baldwin**;
- One Independent Committee Member, **Hugh Widdis**.

Reporting

The Committee will report to the **Commission** via the **Accounting Officer** after each meeting. The minutes of the meeting are published on the Assembly website.

Every July the Committee Chair will attend a Commission meeting and present the Commission and the Accounting Officer with the Committee's Annual Report. This is timed to support finalisation of the Commission accounts and Governance Statement. The Annual Report will summarise the Committee's conclusions from the work it has done during the year.

Roles and Responsibilities

The Committee will advise the Commission and the Accounting Officer on:

- the assurance framework and strategic processes for risk, control and governance;
- the Governance Statement;
- the accounting policies, the accounts, and the annual report of the Commission, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the Auditor General;
- the planned activity and results of both internal and external audit;
- the adequacy of management response to issues identified by audit activity, including the external audit management letter from the Wales Audit Office;
- assurances relating to the management of risk and corporate governance for the Commission;
- proposals for tendering for Internal Audit services or for purchase of non-audit services from contractors who provide audit services; and
- anti-fraud policies, whistle-blowing processes, and arrangements for special investigations.

The Committee will periodically review its own effectiveness and the results will be captured in the Annual Report which will be presented to the Commission.

Rights

Subject to budgets agreed by the Commission, the Committee may:

- co-opt additional members for a period not exceeding one year (with the approval of the AO) to provide specialist skills, knowledge and experience;
- procure specialist ad-hoc advice, at the expense of the organisation.

Meetings and Access

The Committee will meet at least four times a year. The Chair may convene additional meetings, as necessary.

A minimum of two members of the Committee must be present for the meeting to be deemed quorate.

Committee meetings will normally be attended by the Accounting Officer, the Director of Finance, Director of Resources, the Risk and Governance Manager, the Head of Internal Audit, and a representative of the Wales Audit Office.

The Committee may ask any other officials to attend to assist it with its discussions on any particular matter.

The Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters.

The Commission or the Accounting Officer may ask the Committee to convene further meetings to discuss particular issues on which they require the Committee's advice.

The Committee shall meet with the external and internal audit at least once a year without the presence of Assembly Officials. Both external and internal audit will also have free and confidential access to the Chair of the Committee.

Information requirements

For each meeting the Audit Committee will be provided with:

- a report summarising any significant changes to the Commission's Risk Register;
- a progress report from the Head of Internal Audit summarising:
 - work performed (and a comparison with work planned);
 - key issues emerging from Internal Audit work;
 - management's response to audit recommendations;
 - changes to the annual audit plan;
 - resourcing issues affecting the delivery of Internal Audit's plan;
- a progress report from the Wales Audit Office representative summarising work done and emerging findings;

- management assurance reports; and
- reports on the management of major incidents, “near misses”, and lessons learned.

As and when appropriate the Committee will be provided with:

- proposals for the terms of reference of internal audit / the internal audit charter;
- the internal audit strategy;
- the Head of Internal Audit’s Annual Opinion and Report;
- quality assurance reports on the internal audit function;
- the Wales Audit Office annual Audit Strategy;
- the Wales Audit Office ISA 260 report to those charged with governance;
- the draft accounts of the Commission;
- the draft Governance Statement;
- a report on any changes to accounting policies;
- the Wales Audit Office management letter;
- a report on any proposals to tender for audit functions;
- a report on co-operation between internal and external audit;
- the Commission’s Risk Management Strategy;
- details of key change programme/project portfolio management; and
- departure summaries.

Reviews

The group will review these terms of reference as and when necessary.

Appendix 2: Internal Audit reviews considered by the Committee during the year

April 2015

- The appointment of Expert Advisers to Committees
- Value for Money
- The Assembly Commission's Project Management Arrangements

November 2015

- ICT Futures Project (Review)
- Procurement
- Public Engagement

February 2016

- Key Financial Controls

March 2016

- Enhanced Bilingual Services
- Financial Management and Budgetary Control
- Data Analytics
- A series of follow up reports of audits from previous years throughout the year.